

Treasury-State Agreement (TSA) FY 2005

Cash Management Improvement Act Agreement

Effective: 7/1/04 – 6/30/05

**Cash Management Improvement Act Agreement
between
The State of Maine
and
The Secretary of the Treasury,
United States Department of the Treasury**

The Secretary of the Treasury, United States Department of the Treasury (hereafter 'Secretary'), and the State of Maine (hereafter 'State'), in order to implement Section 5 of the Cash Management Improvement Act of 1990, as amended (hereafter 'Act'), agree as follows:

1.0 AGENTS OF THE AGREEMENT

1.1 The Authorized Official for the State of Maine shall be the Deputy State Treasurer in all matters concerning this Agreement.

1.2 The Assistant Commissioner, Federal Finance, Financial Management Service (FMS), U.S. Department of the Treasury, shall act as the Secretary's representative in all matters concerning this Agreement.

2.0 AUTHORITY

2.1 The authority for this Agreement is the Cash Management Improvement Act of 1990 (Public Law 101-453), as amended by the Cash Management Improvement Act of 1992 (Public Law 102-589), codified at 31 U.S.C. 6501 and 31 U.S.C. 6503.

2.2 The regulations codified at 31 CFR Part 205 shall apply to all matters pertaining to this Agreement, and are incorporated herein by reference herein. In the event of any inconsistency between this Agreement and 31 CFR Part 205, the regulations shall govern.

3.0 DURATION, AMENDING, TERMINATING, AND MISCELLANEOUS PROVISIONS

3.1 This Agreement shall take effect on 7/1/2004 and shall remain in effect until June 30, 2005.

3.2 This Agreement may be amended at any time by written, mutual consent of the State and FMS. This Agreement shall be amended annually to incorporate new programs that qualify as major Federal assistance programs and remove programs that no longer qualify as major Federal assistance programs. A State must notify FMS in writing within 30 days of the time the State becomes aware of a change that involves additions or deletions of programs subject to Subpart A, changes in funding techniques, and/or changes in clearance patterns. The notification must include a proposed amendment for review by FMS.

3.3 Notwithstanding section 3.2, in the event of Federal or State non-compliance with Subpart B of 31 CFR, Part 205, FMS may unilaterally amend this Agreement at any time to incorporate additional programs and the entities that administer those programs.

3.4 This Agreement may be terminated by either party with 30 days' written notice. If this Agreement is terminated, FMS will prescribe the funding techniques, clearance patterns, and methods for calculating interest liabilities to be used by the State.

4.0 PROGRAMS COVERED

4.1 The State's threshold and its major Federal assistance programs shall be determined based on the Schedule of Expenditures of Federal Awards for fiscal year ending 6/30/2003.

All major Federal assistance programs shall be covered by this Agreement, unless otherwise specified in section 4.4 of this Agreement.

4.2 The State's threshold for major Federal assistance programs is \$13,555,605.

The following programs meet or exceed the threshold and are not excluded in Section 4.4:

10.551 Food Stamps
10.555 National School Lunch Program for Children
14.228 Community Development Block Grants/State's Program
17.225 F Unemployment Insurance -- Federal Benefit Account and Administrative Costs
17.225 S Unemployment Insurance -- State Benefit Account
20.205 Highway Planning and Construction
84.010 Title I Grants to Local Educational Agencies
84.027 Special Education -- Grants to States
84.126 Rehabilitation Services -- Vocational Rehabilitation Grants to States
93.558 Temporary Assistance for Needy Families
93.563 Child Support Enforcement
93.575 Child Care and Development Block Grant
93.658 Foster Care -- Title IV-E
93.659 Adoption Assistance
93.667 Social Services Block Grant
93.767 Child Health Insurance Program
93.778 Medical Assistance Program

4.3 The following programs fall below the State's threshold but have been required to be covered by FMS in accordance with the non-compliance provisions of Subpart B of 31 CFR Part 205:

There are no programs listed for section 4.3

4.4 The following programs exceed the State's threshold but have been excluded from coverage for the reason indicated:

There are no programs listed for section 4.4

5.0 ENTITIES COVERED

5.1 State agencies and instrumentalities that meet the definition of a State per 31 CFR Part 205, shall be subject to the terms of this Agreement. The following is a list of such entities that administer funds under the programs listed in Section 4.0 of this Agreement:

Economic & Community Development
Education
Human Services
Labor
Transportation

5.2 Entities that meet the definition of a Fiscal Agent per 31 CFR Part 205 shall be subject to the terms of this Agreement. The following is a list of Fiscal Agents that administer funds under the programs listed in

Section 4.0 of this Agreement:

Affiliated Computer Services (ACS) 93.558 TANF

Affiliated Computer Services (ACS) 10.551 Food Stamps

6.0 FUNDING TECHNIQUES

6.1 General Terms

6.1.1 The State shall request Federal funds in accordance with the appropriate cut-off times shown in Exhibit I to ensure funds will be received and credited to a State account by the times specified in the funding techniques. Exhibit I is incorporated by reference herein.

6.1.2 The State shall schedule the receipt of Federal funds such that the funds are received and credited to a State account in accordance with the clearance patterns specified in Exhibit II - List of State Clearance Patterns. Exhibit II is incorporated by reference herein.

6.1.3 In instances where the receipt of funds is scheduled for a Saturday, the State shall request funds for deposit on Friday. In instances where the receipt of funds is scheduled for a Sunday, the State shall request funds for deposit on Monday. In instances where the receipt of Federal funds is scheduled for deposit on a day when the State is not open for business, the State shall request funds for deposit the day following the scheduled day; in instances where the receipt of Federal funds is scheduled for deposit on a day when the Federal Government is not open for business, the State shall request funds for deposit the day prior to the scheduled day.

6.1.4 Estimates and Reconciliation of Estimates:

Where estimated expenditures are used to determine the amount of the drawdown, the State will indicate in the terms of the State unique funding technique how the estimated amount is determined and when and how the State will reconcile the difference between the estimate and the State's actual expenditures.

6.1.5 Supplemental Awards:

Unless otherwise defined by program rules, a Supplemental Award is the award of additional funds to provide for an increase in costs due to unforeseen circumstances.

The State will comply with all Federal program agency policies and procedures for requesting supplemental grant awards.

The State will comply with the following guidelines when requesting supplemental awards for the Medical Assistance Program and associated administrative payments (CFDA 93.778):

The State must submit a revised Medicaid Program Budget Report (CMS-37) to request supplemental awards. The CMS guidelines and instructions for completing the CMS-37 are provided in Section 2600F of the State Medicaid Manual (SMM). The CMS/CO must receive the revised Form CMS-37 through the Medicaid Budget Expenditure System/Children's Budget Expenditure System (MBES/CBES) no later than 10 calendar days before the end of the quarter for which the supplemental grant award is being requested.

Additional guidance on this policy is available from the respective CMS Regional Office, U.S. Department of Health & Human Services.

The State will comply with the following guidelines when requesting supplemental awards for TANF (CFDA 93.558), CCDF (CFDA 93.575), CSE (93.563), and the FC/AA (CFDA 93.658 and CFDA 93.659) programs administered by the U.S. Department of Human Services, Administration for Children and Families (HHS/ACF):

a. Timing of the Request

A State should initiate its request for supplemental funding during a quarter as soon as it becomes aware of the fact that a shortfall does/will exist. For the TANF and CCDF grants, supplemental grant award requests (estimates) may be submitted by a State, for consideration by ACF, up through and including the 15th day of the third month of the first, second or third quarter of any fiscal year. Since TANF and CCDF are block grant programs, all unawarded portions of the annual allotment will automatically be issued at the beginning of the fourth quarter. Therefore, supplemental grant award requests will not be available during the fourth quarter for these programs. For the CSE and FC/AA programs, supplemental grant award requests may be submitted by a state, for consideration by ACF, up through and including the 15th day of the third month of any quarter of a fiscal year.

b. Justification for the Request

The request for a supplemental grant award for any of the above mentioned programs should contain a justification clearly documenting the need for the additional funding authority during the current quarter. This documentation should be in the form of State accounting records or similar documents that will show the actual expenditures through the most recent month for which such data are available, as well as the State's most accurate projection of its anticipated expenditures during the remaining month(s) of the quarter. For either the TANF or the CCDF program, the State's justification should also include an explanation of the activities requiring the obligation and/or expenditure of amounts that exceed the normal quarterly grant award restrictions and why these activities could not have been delayed until the next quarter.

c. Form Submittal

Supplemental grant award requests should be made by completing the appropriate ACF quarterly report of expenditures and estimates applicable to the particular program for which the grant award request is being made.

d. Approval Process

Upon receipt of the state's request for additional grant award authority for a quarter, the ACF Regional Office will promptly review the supporting documentation. If the request is properly justified, so long as ACF has adequate funding availability, the State's request will be expedited and a supplemental grant award issued within 5 days of ACF receiving the request. The State will be notified by the Regional Office when the award has been transmitted to the Payment Management System (PMS) and when it may initiate drawdowns against that supplemental award.

Additional guidance on this policy is provided in the U.S. Department of Health & Human Services, Administration for Children and Families, letter (May 19, 2004) to State Administrators from the Deputy Assistant Secretary for Administration.

6.2 Description of Funding Techniques

6.2.1 The following are terms under which standard funding techniques shall be implemented for all transfers of funds to which the funding technique is applied in section 6.3 of this Agreement.

Pre-Issuance

The State shall request funds such that they are deposited in a State account not more than three days prior to the day the State makes a disbursement. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be the amount the State expects to disburse. This funding technique is not interest neutral.

Actual Clearance, ZBA - ACH

The State shall request funds such that they are deposited by ACH in a State account on the settlement date of payments issued by the State. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be for the amount of funds that clear the State's account on the settlement date. This funding technique is interest neutral.

Average Clearance

The State shall request funds such that they are deposited by ACH on the dollar-weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified in Exhibit II. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be for the exact amount of that disbursement. This funding technique is interest neutral.

6.2.2 The following are terms under which funding techniques for administrative costs shall be implemented for all transfers of funds to which the funding technique is applied in section 6.3 of this Agreement.

There are no funding techniques listed in Section 6.2.2

6.2.3 The following are terms under which miscellaneous funding techniques shall be implemented for all transfers of funds to which the funding technique is applied in section 6.3 of this Agreement.

There are no funding techniques listed in Section 6.2.3

6.2.4 The following are terms under which State unique funding techniques shall be implemented for all transfers of funds to which the funding technique is applied in section 6.3 of this Agreement.

Estimated Allocation - Weekly

The State shall request funds on a specific day of each week for admin (other) costs. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request for each weekly period shall be an estimate based on the cost allocation of the prior quarter and immediate cash needs. The weekly draws will be adjusted to actual once a month when cost allocation is completed. This adjustment will be made by reducing or increasing the subsequent drawdown. This funding technique is interest neutral.

Actual Drawdown - Weekly

The State will drawdown funds on a weekly basis based on the actual expenditures which occurred in the past weekly period. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. This funding technique is interest neutral.

Prorated Drawdown

The State shall request funds such that they are deposited on the dollar weighted average date of clearance for payroll payments, as specified in Exhibit I. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the drawdown shall be 1/26th of the personal services costs for the prior year. This draw shall then be adjusted to actual once a month after cost allocation has been completed. This funding technique is interest neutral.

Estimated Allocation - Bi-Weekly

The State shall request funds at bi-weekly intervals, such that they are deposited on the dollar-weighted average day of clearance for payroll payments, as specified in the appropriate clearance pattern in Exhibit II.

The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request for each bi-weekly period shall be an estimate based on the cost allocation of the prior six months and immediate cash needs. An adjustment to actual costs will be done on a monthly basis. The adjustment will either reduce or increase the subsequent drawdown. This funding technique is interest neutral.

Estimated Clearance - DOL

Under Estimated Clearance, multiple consecutive draws are scheduled for each disbursement based on bank account clearance patterns derived from a 90-day sample from July, August and September 2003. The estimated clearance pattern is currently used only by Labor's CFDA #17.225 Unemployment Insurance in drawing down federal funds to pay beneficiaries. All payments are isolated within one bank account from which clearance patterns have been obtained. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. This funding technique is interest neutral.

6.3 Application of Funding Techniques to Programs

6.3.1 The State shall apply the following funding techniques when requesting Federal funds for the component cash flows of the programs listed in sections 4.2 and 4.3 of this Agreement.

6.3.2 Programs

Below are programs listed in Section 4.2 and Section 4.3.

10.551 Food Stamps

Recipient: Human Services

% of Funds Agency Receives: 100

Component: Payments to Beneficiaries

Technique: Actual Clearance, ZBA - ACH

Clearance Pattern: 0 Days

10.555 National School Lunch Program for Children

Recipient: Education

% of Funds Agency Receives: 100

Component: Payments to Local Educational Agencies

Technique: Average Clearance

Clearance Pattern: 3 Days

14.228 Community Development Block Grants/State's Program

Recipient: Economic & Community Development

% of Funds Agency Receives: 97

Component: Grants to Cities, Towns & Municipalities

Technique: Average Clearance

Clearance Pattern: 3 Days

Recipient: Economic & Community Development

% of Funds Agency Receives: 3

Component: Administrative (Payroll)

Technique: Average Clearance
Clearance Pattern: 1 Day

Recipient: Economic & Community Development
% of Funds Agency Receives: 0
Component: Administrative (Other)
Technique: Actual Drawdown - Weekly
Clearance Pattern: N/A

17.225F Unemployment Insurance -- Federal Benefit Account and Administrative Costs
Recipient: Labor
% of Funds Agency Receives: 61
Component: Payments to Beneficiaries
Technique: Estimated Clearance - DOL
Clearance Pattern: N/A

Recipient: Labor
% of Funds Agency Receives: 9
Component: Administrative (Other)
Technique: Estimated Allocation - Weekly
Clearance Pattern: N/A

Recipient: Labor
% of Funds Agency Receives: 30
Component: Administrative (Payroll)
Technique: Prorated Drawdown
Clearance Pattern: 1 Day

17.225S Unemployment Insurance -- State Benefit Account
Recipient: Labor
% of Funds Agency Receives: 100
Component: Payments to Beneficiaries
Technique: Estimated Clearance - DOL
Clearance Pattern: N/A

20.205 Highway Planning and Construction
Recipient: Transportation
% of Funds Agency Receives: 87
Component: Direct Costs
Technique: Average Clearance
Clearance Pattern: 3 Days

Recipient: Transportation
% of Funds Agency Receives: 12
Component: Administrative (Payroll)
Technique: Average Clearance
Clearance Pattern: 1 Day

Recipient: Transportation
% of Funds Agency Receives: 1
Component: Administrative (Other)
Technique: Actual Drawdown - Weekly
Clearance Pattern: N/A

84.010 Title I Grants to Local Educational Agencies

Recipient: Education
% of Funds Agency Receives: 94
Component: Payments to Local Educational Agencies
Technique: Average Clearance
Clearance Pattern: 3 Days

Recipient: Education
% of Funds Agency Receives: 1
Component: Administrative (Payroll)
Technique: Average Clearance
Clearance Pattern: 1 Day

Recipient: Education
% of Funds Agency Receives: 4
Component: Program Improvements
Technique: Actual Drawdown - Weekly
Clearance Pattern: N/A

Recipient: Education
% of Funds Agency Receives: 0
Component: Administrative (Other)
Technique: Actual Drawdown - Weekly
Clearance Pattern: N/A

84.027 Special Education -- Grants to States

Recipient: Education
% of Funds Agency Receives: 90
Component: Payments to LEA & Discretionary
Technique: Average Clearance
Clearance Pattern: 3 Days

Recipient: Education
% of Funds Agency Receives: 2
Component: Administrative (Payroll)
Technique: Average Clearance
Clearance Pattern: 1 Day

Recipient: Education
% of Funds Agency Receives: 6
Component: Administrative (Other)
Technique: Actual Drawdown - Weekly

Clearance Pattern: N/A

Recipient: Education

% of Funds Agency Receives: 2

Component: Payments for Capacity Building

Technique: Average Clearance

Clearance Pattern: 3 Days

84.126 Rehabilitation Services -- Vocational Rehabilitation Grants to States

Recipient: Labor

% of Funds Agency Receives: 55

Component: Payments For Clients

Technique: Average Clearance

Clearance Pattern: 3 Days

Recipient: Labor

% of Funds Agency Receives: 38

Component: Administrative (Payroll)

Technique: Average Clearance

Clearance Pattern: 1 Day

Recipient: Labor

% of Funds Agency Receives: 7

Component: Administrative (Other)

Technique: Actual Drawdown - Weekly

Clearance Pattern: N/A

93.558 Temporary Assistance for Needy Families

Recipient: Human Services

% of Funds Agency Receives: 55

Component: Payments to Clients

Technique: Actual Clearance, ZBA - ACH

Clearance Pattern: 0 Days

Recipient: Human Services

% of Funds Agency Receives: 5

Component: Administrative (Payroll)

Technique: Average Clearance

Clearance Pattern: 1 Day

Recipient: Human Services

% of Funds Agency Receives: 10

Component: Administrative (Other)

Technique: Estimated Allocation - Bi-Weekly

Clearance Pattern: N/A

Recipient: Human Services

% of Funds Agency Receives: 30

Component: Aspire Payments

Technique: Average Clearance
Clearance Pattern: 3 Days

93.563 Child Support Enforcement
Recipient: Human Services
% of Funds Agency Receives: 100
Component: Administrative
Technique: Pre-Issuance
Clearance Pattern: N/A

93.575 Child Care and Development Block Grant
Recipient: Human Services
% of Funds Agency Receives: 1
Component: Administrative (Other)
Technique: Estimated Allocation - Bi-Weekly
Clearance Pattern: N/A

Recipient: Human Services
% of Funds Agency Receives: 98
Component: Payments to Service Providers
Technique: Average Clearance
Clearance Pattern: 3 Days

Recipient: Human Services
% of Funds Agency Receives: 1
Component: Administrative (Payroll)
Technique: Average Clearance
Clearance Pattern: 1 Day

93.658 Foster Care -- Title IV-E
Recipient: Human Services
% of Funds Agency Receives: 84
Component: Payments to Service Providers
Technique: Average Clearance
Clearance Pattern: 3 Days

Recipient: Human Services
% of Funds Agency Receives: 3
Component: Administrative (Payroll)
Technique: Average Clearance
Clearance Pattern: 1 Day

Recipient: Human Services
% of Funds Agency Receives: 13
Component: Administrative (Other)
Technique: Estimated Allocation - Bi-Weekly
Clearance Pattern: N/A

93.659 Adoption Assistance

Recipient: Human Services

% of Funds Agency Receives: 1

Component: Administrative (Other)

Technique: Estimated Allocation - Bi-Weekly

Clearance Pattern: N/A

Recipient: Human Services

% of Funds Agency Receives: 98

Component: Payments to Clients

Technique: Average Clearance

Clearance Pattern: 3 Days

Recipient: Human Services

% of Funds Agency Receives: 1

Component: Administrative (Payroll)

Technique: Average Clearance

Clearance Pattern: 1 Day

93.667 Social Services Block Grant

Recipient: Human Services

% of Funds Agency Receives: 98

Component: Payments to Clients

Technique: Average Clearance

Clearance Pattern: 3 Days

Recipient: Human Services

% of Funds Agency Receives: 1

Component: Administrative (Other)

Technique: Estimated Allocation - Bi-Weekly

Clearance Pattern: N/A

Recipient: Human Services

% of Funds Agency Receives: 1

Component: Administrative (Payroll)

Technique: Average Clearance

Clearance Pattern: 1 Day

93.767 State Children's Insurance Program

Recipient: Human Services

% of Funds Agency Receives: 10

Component: Administrative (Other)

Technique: Estimated Allocation - Bi-Weekly

Clearance Pattern: N/A

Recipient: Human Services

% of Funds Agency Receives: 99
Component: Payments to Service Providers
Technique: Average Clearance
Clearance Pattern: 3 Days

Recipient: Human Services
% of Funds Agency Receives: 0
Component: Administrative (Payroll)
Technique: Average Clearance
Clearance Pattern: 1 Day

93.778 Medical Assistance Program
Recipient: Human Services
% of Funds Agency Receives: 97
Component: Payments to Service Providers
Technique: Average Clearance
Clearance Pattern: 3 Days

Recipient: Human Services
% of Funds Agency Receives: 1
Component: Administrative (Payroll)
Technique: Average Clearance
Clearance Pattern: 1 Day

Recipient: Human Services
% of Funds Agency Receives: 2
Component: Administrative (Other)
Technique: Estimated Allocation - Bi-Weekly
Clearance Pattern: N/A

6.3.3 Materiality Exemptions

Agencies exempt from coverage on the basis of materiality:

No exempt agencies.

7.0 CLEARANCE PATTERNS

7.1 The State shall develop separate clearance patterns for each of the following:

The State of Maine has developed clearance patterns for three centralized accounts:

Primary Disbursement Account #335

This is the vendor payment account for the entirety of payments issued by the State of Maine excluding state payroll and unemployment benefits. The clearance pattern for this account also factors in the clearance pattern of EFT payments issued from the #400 (EFT Primary Disbursement) account.

Payroll Checking Account #343

This is the State of Maine payroll account for all employee payroll payments. The clearance pattern for this account also factors in the clearance pattern of direct deposit (EFT) payments issued from the #434 (EFT Payroll) account.

Unemployment Compensation #369

This is the benefit payment account used solely for unemployment compensation payments in CFDA 17.225. This account utilizes the estimated clearance method of funding. Using an 11-day cycle of check clearance patterns, the Maine Dept. of Labor draws funds for each disbursement over a period of 11 days. The clearance percentages are used to determine the aggregate drawdown estimate.

For example, the estimated clearance pattern shows that for any issuance, day 0 has 0% check clearance, day 1 also has 0%, day 2, 6%, day 3, 16%, day 4, 9%, day 5, 11%, day 6, 22%, day 7, 16%, day 8, 7%, day 9, 3%, day 10, 10%. A check issuance of \$10,000 would be reimbursed \$0 on day 0 & 1, \$600 on day 2, \$1,600 on day 3, \$900 on day 4, \$1,100 on day 5, \$2,200 on day 6, \$1,600 on day 7, \$700 on day 8, \$300 on day 9, and \$1,000 on day 10. Additional disbursements would then be included and drawn according to the same pattern.

7.2 The following shall develop the State's clearance patterns:

Banknorth Group Inc.

7.3 The sources of data the State shall use when developing its clearance patterns are as follows:

1. Range of check numbers for checks issued during specified 90-calendar-day time period.
2. Total number of payments and total amount of payments during time period.
3. Total of daily checks presented that fall within the predefined check number range.
4. The number of days from the date of issue by the State to the day the dollars were removed from the State's bank account. Percentage of daily checks presented (number and amount) compared against the total issuance of the period.
5. Dollar-weighted factor created by applying percentage against number of days before check presentation.

The sum of dollar-weighted factors represents the average amount of time for a check to be presented for payment to the bank after the check issuance date.

7.4 The State shall use the following methodology when developing its clearance patterns:

When developing each clearance pattern, the State shall track at least 99% of the funds disbursed, from issuance to clearance, for a period of at least three months.

7.5 The State shall identify for each check or warrant (hereafter, check) in the population: (1) the date the check was released for payment; (2) the date the check was debited from the State's account, and, (3) the amount of the check.

7.6 The State shall use the following method to calculate the dollar-weighted average day of clearance:

To determine the number of days each check was outstanding (clearance time), the issue date shall be subtracted from the date the check cleared the State's account.

To determine the percentage of the disbursement paid out each day following issuance, the amount of the checks that clear the State's account each day shall be summed and then divided by the amount of the total disbursement.

For each day following issuance, the clearance time of the checks paid out that day shall be multiplied by the percentage of the total disbursement those checks represent. This product is the clearance factor.

The dollar-weighted average day of clearance for the disbursement shall be determined by summing the clearance factor of each day following the disbursement.

7.7 The State shall adjust each clearance pattern to reflect the dollar-weighted proportion of funds paid out by EFT/Direct payroll, with the following exceptions:

None.

The State shall also adjust each clearance pattern to reflect:

N/A

7.8 Each of the State's clearance patterns is calculated in calendar days.

7.9 An authorized State official shall certify that each clearance pattern developed by the State accurately corresponds to the clearance activity of the programs to which it is applied. This certification shall be provided to FMS prior to the effective date of the Agreement. The State shall recertify its clearance patterns at least every five years.

7.10 The State shall follow the procedures of 31 CFR 205 if it has actual or constructive knowledge, at any time, that a clearance pattern does not correspond to a program's clearance activity.

8.0 INTEREST CALCULATION METHODOLOGY

8.1.1 The State and the Secretary agree that no interest liabilities will be incurred for transfers of funds made in accordance with the procedures specified in section 6 of this Agreement where the following funding techniques are applied:

Actual Clearance, ZBA - ACH
Average Clearance
Prorated Drawdown
Estimated Allocation - Bi-Weekly
Estimated Clearance - DOL
Estimated Allocation - Weekly
Actual Drawdown - Weekly

8.1.2 The State shall maintain information on disbursements and receipts of funds to verify the implementation of any funding technique and document interest liabilities.

For each disbursement, the State shall be able to identify:

- (1) amount of the issuance
- (2) date of issuance
- (3) date Federal funds are received and credited to a State account
- (4) amount of Federal funds received
- (5) date funds were requested

8.2 Federal Interest Liabilities

8.2.1 A Federal interest liability shall accrue from the day the State pays out its own funds for program purposes to the day Federal funds are credited to a State account. With regard to funds transferred out of

the Federal Highway Trust Fund, if a State does not bill at least weekly for current project costs, the Federal interest liability shall not accrue prior to the day the State submits a request for funds.

8.2.2 The State shall use the following method to calculate Federal interest liabilities:

For all transactions where the State pays out its own funds for program purposes prior to receiving Federal funds, the State shall track each payment from the date it is paid out of a State account to the date Federal funds are subsequently credited to a State account to cover that outlay. The Federal interest liability on each payment shall be based on the difference in whole days between the two events. With Federal-State matching programs, interest shall be calculated on the Federal percentage of the disbursement.

8.3 The Unemployment Trust Fund

8.3.1 The State shall use the following method to calculate State interest liabilities on funds withdrawn from the several accounts in the Unemployment Trust Fund:

Federal and State Funds are Interest Neutral:

There are no interest earnings on funds withdrawn from the State account, as the State has implemented estimated clearance, an interest-neutral funding technique, for such transfers. For transfers UTF that do not follow the technique specified in section 6.2 and result in a positive balance of funds in a State account, the States liability for interest on funds withdrawn from its account in the UTF shall consist of the actual interest earnings of the benefit payment account on the pro-rata share less the related banking costs attributed to such funds.

8.4 Refund Liabilities

8.4.1 The State shall be liable for interest on refunds from the date the refund is credited to a State account until the date the refund is debited from the State account for program purposes. The State shall apply a \$50,000 refund transaction threshold below which the State shall not incur or calculate interest liabilities on refunds. A transaction is defined as a single deposit.

8.4.2 For each refund, the State shall maintain information identifying:

- (1) date a refund is credited to a State account
- (2) date of the subsequent deposit of Federal funds against which the refund is offset
- (3) amount of the refund

8.4.3 The State shall use the following methodology to calculate interest liabilities on refunds:

With programs to which applicable interest neutral funding techniques are applied, the State interest liability shall be based on the difference in whole days between the date the refund is deposited in a State account and the date the refund is offset against a subsequent deposit of Federal funds or paid out for program purposes.

8.5 Exemptions

8.5.1 Where more than one State agency is a recipient of Federal funds under a program, a particular State agency's funding may be excluded from interest calculation procedures if the State agency receives an amount of funds less than 5 % of the State's threshold for major Federal assistance programs. Notwithstanding this potential exemption, however, in no case shall less than 90% of a program's total funding be subject to interest calculation procedures.

Proration of calculations: If less than total program funding is subject to interest calculation procedures, the resulting interest liability calculations shall be prorated to 100% of program funding.

8.6 State Interest Liabilities

8.6.1 The State shall be liable for interest on Federal funds from the date Federal funds are credited to a State account until the date those funds are paid out for program purposes.

8.6.2 The State shall use the following method to calculate State interest liabilities on Federal funds:

8.6.3 Measuring Time Funds Are Held

Deposit to Clearance:

To determine the total time Federal funds are held, the State shall measure the time between the date Federal funds are received and credit to a State's account and the date those funds are debited from the State's account.

8.6.4 Source of Data

Central Accounting System:

The time period from deposit to issuance shall be determined from information captured by TAMI (Treasury Automated Management Information System). TAMI is an electronic cash receipt system that provides bank validation dates to transactions and can be used to determine when a deposit was made. MFASIS (State accounting system) & and the MFASIS warehouse can be queried to provide dates of check issuance/s in relation to the date of deposit.

8.6.5 Standards Applied

Census (Average Daily Balance):

The average daily cash balance of Federal Funds in the program's account reflects the actual activity of each draw from the date of deposit to the date of issuance or clearance, whichever is pertinent.

8.6.6 Calculation Procedure

$I = ADB \times R/365 \times T$, where

I = State's total interest liability

ADB = Average Daily Balance of cash in a program's account, measured from deposit to clearance

R = Annualized rate equal to the average equivalent yields of 13-week Treasury bills auctioned during a State's fiscal year

365 = Calendar days

T = Days of State Liability

8.6.7 Preissuance

Program components using Pre-issuance Funding shall incur a State interest liability. The interest calculation shall be performed on a per-draw basis and summed over the number of draws. The number of days for which the State incurs an interest liability shall be calculated by adding the number of average clearance days for that program to the number of pre-issuance days. The number of pre-issuance days shall

be the number of days from the crediting of Federal funds to a State account until the issuance of payments.

9.0 Reverse Flow Programs

State Exempt - Non-Participation

The State is not required to cover any reverse flow programs under the terms of this Agreement because the State does not participate in the program.

10.0 INTEREST CALCULATION COSTS

10.1 As set forth in 31 CFR 205.27, interest calculation costs are defined as those costs necessary for the actual calculation of interest, including the cost of developing and maintaining clearance patterns in support of the interest calculations. Interest calculation costs do not include expenses for normal disbursing services, such as processing of checks or maintaining records for accounting and reconciliation of cash balances, or expenses for upgrading or modernizing accounting systems. Interest calculation costs in excess of \$50,000 in any year are not eligible for reimbursement, unless the State provides justification with the annual report.

10.2 The State expects to incur the following types of interest calculation costs:

Development of check patterns and Interest Calculations.

10.3 The State shall submit all claims for reimbursement of interest calculation costs with its Annual Report in accordance with 31 CFR 205.

11.0 NON-COMPLIANCE

11.1 The provisions of 31 CFR Part 205.29 and 31 CFR Part 205.30 shall apply in cases of non-compliance with the terms of this Agreement.

12.0 AUTHORIZED SIGNATURES

Holly A. Maffei
Deputy State Treasurer

Signature:_____Date Signed:_____

Date Submitted 6/23/2004

Gary E. Grippo
Assistant Commissioner
Federal Finance
Financial Management Service
U.S. Department of the Treasury

Signature:_____Date Signed:_____

Exhibit I - Funds Request and Receipt Times Schedule Maine

Federal Agency	Payment Type	Request Cut-Off Time	Receipt Window
Agriculture-FS	ACH	11:59 pm, EST	Next Day
Agriculture-FNS	ACH Fedwire	11:59 pm, EST 5:45 pm EST	Next Day Same Day
Commerce-NOAA	ACH	2:00 pm, EST	Next Day
Education	ACH Fedwire	3:00 pm, EST 2:00 pm, EST	Next Day Same Day
Energy	ACH Fedwire	4:00 pm, EST 3:00 pm, EST	Next Day Same Day
EPA	ACH Fedwire	2:00 pm, EST 2:00 pm, EST	Two Days Same Day
FEMA	ACH Fedwire	7:30 pm, EST 2:00 pm, EST	Next Day Same Day
HHS	ACH Fedwire	6:30 pm, EST 3:00 pm, EST	Next Day Same Day
HUD	ACH Fedwire	6:00 pm, EST 3:00 pm, EST	Two Days Same Day
Interior-FWS	ACH	6:30 pm, EST	Next Day
Interior-OSM	ACH (ASAP) Fedwire	11:59 pm, EST 1:00 pm, EST	Next Day Same Day
Justice (OJP)	ACH Fedwire	2:00 pm, EST 2:00 pm, EST	Two Days Two Days
Labor-UTF Labor-Non-UTF	ACH/Fedwire ACH	3:00 pm, EST 3:00 pm, EST	Next Day/Same Day Next Day
National Science Foundation (NSF)	ACH - NSF ACH - ASAP Fedwire - ASAP	8:00 pm, EST 11:59 pm, EST 5:45 pm, EST	Next Day Next Day Same Day
Social Security Administration	ACH Fedwire	11:59 pm, EST 5:45 pm, EST	Next Day Same Day
Transportation (FTA) Transportation (FAA) Transportation (FHWA)	ACH ACH ACH Fedwire	2:00 pm, EST 2:00 pm, EST 12:00 Noon, EST 12:00 Noon, EST	Next Day Next Day Three Days Same Day
Veterans Administration	ACH	12:00 Noon, EST	Three Days
Army National Guard Air National Guard	ACH ACH	12:00 Noon, EST 12:00 Noon, EST	15 Days 15 Days
Dept of Homeland Security, DHS	ASAP Fedwire ACH	2:00 pm, EST 2:00 pm, EST	Two Days Two Days

Exhibit II - Maine

LIST OF STATE CLEARANCE TIMES (Rounded Dollar-Weighted Average Day of Clearance) Clearance Times Where the Timing of A Draw Down Is Based on A Clearance Pattern

CFDA	Program Name	Recipient	%	Component	Technique	Rounded days
10.551	Food Stamps	Human Services	100	Payments to Beneficiaries	Actual Clearance, ZBA - ACH	0 Days
10.555	National School Lunch Program for Children	Education	100	Payments to Local Educational Agencies	Average Clearance	3 Days
14.228	Community Development Block Grants/State's Program	Economic & Community Development	97	Grants to Cities, Towns & Municipalities	Average Clearance	3 Days
14.228	Community Development Block Grants/State's Program	Economic & Community Development	3	Administrative (Payroll)	Average Clearance	1 Day
14.228	Community Development Block Grants/State's Program	Economic & Community Development	0	Administrative (Other)	Actual Drawdown - Weekly	N/A
17.225	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Labor	61	Payments to Beneficiaries	Estimated Clearance - DOL	N/A
17.225	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Labor	9	Administrative (Other)	Estimated Allocation - Weekly	N/A
17.225	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Labor	30	Administrative (Payroll)	Prorated Drawdown	1 Day
17.225	Unemployment Insurance -- State Benefit Account	Labor	100	Payments to Beneficiaries	Estimated Clearance - DOL	N/A
20.205	Highway Planning and Construction	Transportation	87	Direct Costs	Average Clearance	3 Days
20.205	Highway Planning and Construction	Transportation	12	Administrative (Payroll)	Average Clearance	1 Day
20.205	Highway Planning and Construction	Transportation	1	Administrative (Other)	Actual Drawdown - Weekly	N/A
84.010	Title I Grants to Local Educational Agencies	Education	94	Payments to Local Educational Agencies	Average Clearance	3 Days
84.010	Title I Grants to Local Educational Agencies	Education	1	Administrative (Payroll)	Average Clearance	1 Day
84.010	Title I Grants to Local Educational Agencies	Education	4	Program Improvements	Actual Drawdown - Weekly	N/A
84.010	Title I Grants to Local Educational Agencies	Education	0	Administrative (Other)	Actual Drawdown - Weekly	N/A
84.027	Special Education -- Grants to States	Education	90	Payments to LEA & Discretionary	Average Clearance	3 Days
84.027	Special Education -- Grants to States	Education	2	Administrative (Payroll)	Average Clearance	1 Day
84.027	Special Education -- Grants to States	Education	6	Administrative (Other)	Actual Drawdown - Weekly	N/A
84.027	Special Education -- Grants to States	Education	2	Payments for Capacity Building	Average Clearance	3 Days
84.126	Rehabilitation Services -- Vocational Rehabilitation Grants to States	Labor	55	Payments For Clients	Average Clearance	3 Days
84.126	Rehabilitation Services -- Vocational Rehabilitation Grants	Labor	38	Administrative (Payroll)	Average Clearance	1 Day

	to States					
84.126	Rehabilitation Services -- Vocational Rehabilitation Grants to States	Labor	7	Administrative (Other)	Actual Drawdown - Weekly	N/A
93.558	Temporary Assistance for Needy Families	Human Services	55	Payments to Clients	Actual Clearance, ZBA - ACH	0 Days
93.558	Temporary Assistance for Needy Families	Human Services	5	Administrative (Payroll)	Average Clearance	1 Day
93.558	Temporary Assistance for Needy Families	Human Services	10	Administrative (Other)	Estimated Allocation - Bi-Weekly	N/A
93.558	Temporary Assistance for Needy Families	Human Services	30	Aspire Payments	Average Clearance	3 Days
93.563	Child Support Enforcement	Human Services	100	Administrative	Pre-Issuance	N/A
93.575	Child Care and Development Block Grant	Human Services	1	Administrative (Other)	Estimated Allocation - Bi-Weekly	N/A
93.575	Child Care and Development Block Grant	Human Services	98	Payments to Service Providers	Average Clearance	3 Days
93.575	Child Care and Development Block Grant	Human Services	1	Administrative (Payroll)	Average Clearance	1 Day
93.658	Foster Care -- Title IV-E	Human Services	84	Payments to Service Providers	Average Clearance	3 Days
93.658	Foster Care -- Title IV-E	Human Services	3	Administrative (Payroll)	Average Clearance	1 Day
93.658	Foster Care -- Title IV-E	Human Services	13	Administrative (Other)	Estimated Allocation - Bi-Weekly	N/A
93.659	Adoption Assistance	Human Services	1	Administrative (Other)	Estimated Allocation - Bi-Weekly	N/A
93.659	Adoption Assistance	Human Services	98	Payments to Clients	Average Clearance	3 Days
93.659	Adoption Assistance	Human Services	1	Administrative (Payroll)	Average Clearance	1 Day
93.667	Social Services Block Grant	Human Services	98	Payments to Clients	Average Clearance	3 Days
93.667	Social Services Block Grant	Human Services	1	Administrative (Other)	Estimated Allocation - Bi-Weekly	N/A
93.667	Social Services Block Grant	Human Services	1	Administrative (Payroll)	Average Clearance	1 Day
93.767	State Children's Insurance Program	Human Services	10	Administrative (Other)	Estimated Allocation - Bi-Weekly	N/A
93.767	State Children's Insurance Program	Human Services	99	Payments to Service Providers	Average Clearance	3 Days
93.767	State Children's Insurance Program	Human Services	0	Administrative (Payroll)	Average Clearance	1 Day
93.778	Medical Assistance Program	Human Services	97	Payments to Service Providers	Average Clearance	3 Days
93.778	Medical Assistance Program	Human Services	1	Administrative (Payroll)	Average Clearance	1 Day
93.778	Medical Assistance Program	Human Services	2	Administrative (Other)	Estimated Allocation - Bi-Weekly	N/A

Exhibit II Estimated Clearance - Maine

CLEARANCE PATTERN - ESTIMATED CLEARANCE

Clearance Times Where the Timing of A Drawdown Used the Estimated Clearance Funding Technique

Day	Percent of Issuance
Day 1	0
Day 2	0
Day 3	6
Day 4	16
Day 5	9
Day 6	11
Day 7	22
Day 8	16
Day 9	7
Day 10	3
Day 11	10
Day 12	0
Day 13	0
Day 14	0
Day 15	0
Day 16	0
Day 17	0
Day 18	0
Day 19	0
Day 20	0
Day 21	0
Day 22	0
Day 23	0
Day 24	0
Day 25	0
Day 26	0
Day 27	0
Day 28	0
Day 29	0
Day 30	0
Total	100

TSA Matrix for Maine

CFDA	Program Name	Recipient	%	Component	Technique	Rounded days
10.551	Food Stamps	Human Services	100	Payments to Beneficiaries	Actual Clearance, ZBA - ACH	0 Days
10.555	National School Lunch Program for Children	Education	100	Payments to Local Educational Agencies	Average Clearance	3 Days
14.228	Community Development Block Grants/State's Program	Economic & Community Development	97	Grants to Cities, Towns & Municipalities	Average Clearance	3 Days
14.228	Community Development Block Grants/State's Program	Economic & Community Development	3	Administrative (Payroll)	Average Clearance	1 Day
14.228	Community Development Block Grants/State's Program	Economic & Community Development	0	Administrative (Other)	Actual Drawdown - Weekly	N/A
17.225	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Labor	61	Payments to Beneficiaries	Estimated Clearance - DOL	N/A
17.225	Unemployment Insurance -- Federal Benefit Account and Administrative Costs	Labor	9	Administrative (Other)	Estimated Allocation - Weekly	N/A
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93.558	Temporary Assistance for Needy Families	Human Services	10	Administrative (Other)	Estimated Allocation - Bi-Weekly	N/A
93.558	Temporary Assistance for Needy Families	Human Services	30	Aspire Payments	Average Clearance	3 Days
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93.778	Medical Assistance Program	Human Services	1	Administrative (Payroll)	Average Clearance	1 Day
93.778	Medical Assistance Program	Human Services	2	Administrative (Other)	Estimated Allocation - Bi-Weekly	N/A